

# Long-Term Disability Insurance Reference Guide



# Table of Contents

**General Information..... 1**  
 Disability Benefits and Dates of Employment ..... 1  
 Definitions ..... 1  
 Eligibility Requirements for Benefits ..... 2  
 Special Eligibility – Protective Occupation Employees ..... 3  
**How to Apply for Benefits .....3**  
**Calculation of Benefits .....4**  
 How The Basic Benefit Is Calculated..... 4  
 Sample Benefit Calculation..... 5  
 Supplemental Contributions ..... 5  
 Sample Supplemental Contribution Calculation ..... 5  
**Annual Disability Processes.....6**  
 Earnings Statement..... 6  
 Medical Recertification..... 6  
**Termination or Suspension of Benefits .....6**  
 No Longer Meet Disability Definition ..... 6  
 Exceeding the Disability Earning Limit ..... 6  
 Returning to Work..... 6  
 Death ..... 6  
**Retirement Benefit Offset ..... 7**  
**Denial of Benefits ..... 7**  
**Withdrawal of Claim .....8**  
**Cancellation of Claim .....8**  
**Insurances .....8**  
 Group Life Insurance Waiver of Premium..... 8  
 Group Health Insurance Coverage ..... 8  
 Medicare Supplement Insurance ..... 9  
 Income Continuation Insurance ..... 9  
**Social Security .....9**  
**Taxability of Benefits .....9**

## General Information

This booklet provides information about the Long-Term Disability Insurance (LTDI) program. LTDI benefits may be payable if a Wisconsin Retirement System (WRS) participant is unable to work due to a physical or mental disability. The amount of the benefit is 40% or 50% of the participant's average salary (based on his or her three highest years of earnings). The benefit ends when the participant turns 65 years old, though if the participant is 61 years old or older when the benefit begins, it may be payable for longer. The LTDI benefit is administered by a third party administrator (TPA).

If the participant began working on or before October 15, 1992, without a break in service, he or she may also be eligible for Wis. Stat. § 40.63 Disability Retirement benefits and should contact ETF for more information to help the participant decide which benefit to select.

**Note:** This booklet provides a brief and general description of Long-Term Disability Insurance benefits. It is not intended to be a complete explanation of LTDI benefits in all situations and circumstances and cannot be relied on for that purpose. The details of the LTDI program are established by administrative rule and not this publication. Errors, misrepresentations or ambiguities in this booklet are not grounds to create benefits beyond those expressly granted by the administrative rule. Consult Wis. Admin. Code Ch. ETF 50, Subchapter III, for the actual terms of the LTDI plan.

## Disability Benefits and Dates of Employment

Based on dates of WRS employment, participants may be eligible to apply for § 40.63 disability retirement benefits OR LTDI.

Employment Date	Eligible Benefits
The participant began working on or before October 15, 1992, and had continuous WRS employment until becoming disabled	LTDI or Wis. Stat. § 40.63 Disability Retirement
The participant began working on or after October 16, 1992	LTDI

**Note:** The participant cannot be working when he or she applies.

The *Disability Benefits* booklet (ET-5102) provides detailed information about § 40.63 Disability Retirement benefits.

## Definitions

**Disability** means the inability to engage in any substantial gainful activity by reason of a medically determinable impairment, whether physical or mental, which can reasonably be expected to result in death or to be permanent or of long-continued and indefinite duration.

**Final average salary or FAS** means the total amount of earnings received by the participant during the three highest annual earnings periods, divided by 36 months. The FAS calculation is different for participants who do not meet the LTDI service requirement but qualify for LTDI because of a work-related disability.

If the participant was employed with an employer prior to that employer beginning WRS participation, the FAS calculation excludes any annual earnings more than three years prior to the employer's effective date.

**Medically determinable impairment** means an impairment which has medically demonstrable anatomical, physiological or psychological abnormalities. The described abnormalities are medically determinable if they manifest themselves as signs or laboratory findings apart from symptoms which are not medically determinable.

**Protective Occupation Employee** is any WRS participant whose duties include but are not limited to active law enforcement, or active fire suppression or prevention, with frequent

exposure to danger, and requiring a high degree of physical conditioning. These occupations are listed under Wis. Stat. § 40.02 (48) (am).

**Substantial gainful activity** means any work of a nature generally performed for remuneration or profit, involving the performance of significant physical or mental duties, or both. Work is considered substantial even if performed part time and even if it is less demanding or involves fewer responsibilities than former work. Work is considered gainful even if it pays less than former employment. Employment for which the compensation will exceed the annual earnings limit qualifies as substantial gainful activity.

**Earnings limit** is the maximum earnings a participant can earn while still receiving the benefit. The earnings limit changes annually. See [http://etf.wi.gov/members/benefits\\_disability\\_ins.htm](http://etf.wi.gov/members/benefits_disability_ins.htm) for the current year's earnings limit.

## Eligibility Requirements for Benefits

The requirements to be eligible for a LTDI benefit are listed below:

1. The participant must be disabled by a mental or physical impairment which is likely to result in death, be permanent or be of long-continued and indefinite duration which prevents substantial gainful activity.
2. The participant must be a participating WRS employee. A participant who terminated employment with a WRS employer is deemed to be a participating employee if **all** of the following conditions are satisfied:
  - a. Termination of active service for the WRS employer was due to the disability.
  - b. There has been no substantial gainful activity during the 12 months beginning with the first of the month following the termination date with the WRS employer. The earnings limit for substantial gainful activity will be the limit in effect at the end of the 12 consecutive calendar month period.
  - c. The participant's WRS retirement account was not closed by a lump sum benefit (retirement or separation) prior to applying for LTDI. When a lump sum benefit is paid, it closes the retirement account and the individual is no longer a WRS participant. **Participants should consider implications to their disability benefits before applying for a lump sum benefit.**

**Note:** The maximum length of a WRS leave of absence is 36 months, after which time the Wisconsin Statutes require that ETF terminate WRS participation.

3. The participant must have earned at least .33 years of creditable service in at least five of the last seven preceding calendar years from the date in which the LTDI claim was filed. The minimum creditable service requirement is waived if:
  - a. a licensed medical physician certifies that the participant's disability is work-related; and
  - b. the LTDI claim is filed within two years after the participant's last day worked with the WRS employer.
4. The participant must not be entitled to any further earnings from the WRS employer. The participant can either terminate employment or be on a leave of absence, depending on the employer's personnel policy. Any payments after the last day of work (such as vacation, compensatory time, sick leave, sabbatical, temporary workers compensation, etc.), are used in determining the last day paid. The participant's employer will be required to certify last day paid.

**Note:** A participating employee whose compensation plan or contract provides for converting unused sick leave to pay group health insurance premiums and who qualifies for a LTDI benefit, can either use sick leave or convert it to credits to pay health insurance premiums. If the sick leave is converted, the LTDI benefit will begin sooner. The

participant should contact his or her employer to discuss how much sick leave he or she wishes to convert to credits.

In order to convert unused sick leave to pay group health insurance premiums, the employee/employer relationship must be severed. **The participant should carefully compare the benefits of terminating WRS employment to use accumulated sick leave to pay for health insurance premiums versus the higher death benefits payable if he or she dies as an active (not terminated) employee.**

5. Two licensed and practicing medical physicians must certify that the:
  - a. participant has a medically determinable impairment;
  - b. disability caused the participant to cease working; and
  - c. disability prevents gainful employment.

At least one certifying physician must be a specialist in the area of the participant's disability.

**Note:** The participant's employer will be informed that the participant is applying for a disability benefit and will be asked whether they contest the participant's disability claim. It is, therefore, very important that the participant communicates with his or her employer regarding the reason for leaving employment.

## Special Eligibility – Protective Occupation Employees

If a protective occupation employee can no longer efficiently and safely perform the duties of his or her position, the participant may qualify for LTDI benefits (even though he or she might still be able to engage in some other type of work). He or she must still meet the service requirements indicated in number 3 on the previous page, and must also meet the following requirements:

1. Condition likely to be permanent.
2. Have at least 15 years of creditable service.
3. Become disabled after reaching age 50 but before age 55. For this benefit, the date of disability is the day after the participant's last day worked in full protective status.

Protective occupation employees may also be eligible for Duty Disability benefits under Wis. Stat. § 40.65 if their disability is work-related. The participant should contact ETF for information about Duty Disability benefits.

## How to Apply for Benefits

The participant may file the LTDI claim by telephone with the third party administrator (TPA). The participant must still contact ETF for an LTDI benefit estimate.

Here's how the claim process works:

- The participant must contact the TPA at 1-800-960-0052 to file the claim. The participant cannot apply before the last day worked.
- The TPA will collect basic information including name; Social Security number; date of birth; current mailing address; employer; employer location; the nature of the disability; last day worked; the name, address and telephone number of the attending and/or treating physician; and any additional work-related information.
- An introductory packet will be mailed to the participant, which includes two medical release forms, an ICI and/or LTDI Repayment Agreement, and claim information. An election form for LTDI coverage may also be included in the introductory packet, if the participant is eligible

for coverage under the Wis. Stat. § 40.63 Disability Retirement program.

- \* The participant must sign the medical release forms and send one to the TPA and the other to the attending physician immediately. The medical release form allows the attending physician, clinic and/or medical records department to release the participant's medical information. The claim cannot be processed until the TPA receives the medical release form.
- \* If the participant receives an *LTDI Election Form* (ET-5321) in the introductory packet, the form must be completed and returned to continue processing the LTDI claim. By signing and returning the election form, all present and future rights to benefits under the Wis. Stat. § 40.63 Disability Retirement program are waived. The election form is irrevocable.

Any questions pertaining to LTDI requirements, claim status, etc., are to be directed to the TPA at 1-800-960-0052. Representatives are available from 7:45 a.m. to 4:30 p.m. Central Standard Time, Monday through Friday, except state holidays. Voice mail messages can be left 24 hours a day, 7 days a week.

The TPA will send an Employer Statement (ET-5315) to the employer to document final earnings and service, last day paid, and whether the participant is terminated or on a leave of absence.

If the medical report submitted by the participant's physician indicates the participant meets the disability definition, the participant will be sent another medical report form. The participant may be asked to see a physician who specializes in the area of the disability, or if the first medical report was completed by a specialist, any treating physician may complete the second medical report. The physician must have last examined the participant no more than six months prior to the date the claim is submitted. If the exam was more than six months prior to the claim date, the participant will be required to have a current exam.

**Note: The cost associated with securing medical reports is the participant's responsibility.**

If the participant dies before the claim is approved, the claim is deemed approved if all of the following are satisfied:

1. The participant meets the LTDI eligibility criteria.
2. The claim for LTDI benefits and at least one qualifying medical report is received before the date of death.
3. The participant dies on or after the date which would have been the effective date of the LTDI benefit and no further earnings were payable to the participant after the date of death.

## Calculation of Benefits

### How The Basic Benefit Is Calculated

The LTDI benefit effective date is normally the day after the last day for which earnings were paid; however, it can be no earlier than 90 days before the claim is filed. Benefits that are not effective on the day after the last day paid must always be effective on the first of a month. **If the participant applies more than 90 days after his or her last day paid, he or she will not have the earliest possible benefit effective date and will have lost a partial month or more of benefits.**

The basic monthly LTDI benefit is 40% of the final average salary (FAS). If the participant is not eligible for Social Security benefits based on his/her own employment (some protective employment, select teachers), the basic LTDI benefit will be 50% of the FAS.

The basic monthly LTDI benefit amount is adjusted every year by the same Core Fund dividend percentage as monthly retirement annuities. The adjustment will appear on the payment issued for the month of April (check dated May 1).

The following chart shows the duration of benefits:

Age at LTDI Effective Date	LTDI Benefit Ends
Before age 61	End of month in which reach age 65
Age 61 or 62	End of month in which reach age 66
Age 63 or 64	End of month in which reach age 67
Age 65 or 66	End of month in which reach age 68
Age 67	End of month in which reach age 69
Age 68	End of month in reach age 70
Age 69 or older	12 months after LTDI benefit effective date

### Sample Benefit Calculation

A full-time employee became disabled on December 20, 2010, and the last day for which earnings were paid is December 31, 2010. The basic monthly LTDI benefit would be as follows:

Year	Earnings				
2008	\$25,500				
2009	\$26,500				
2010	<u>\$27,200</u>				
TOTAL	\$79,200	÷	36	=	\$2,200 FAS

For a participant who is eligible for Social Security:

$$\$2,200 \text{ (FAS)} \times 40\% = \$880 \text{ per month basic LTDI benefit}$$

For a participant who is not eligible for Social Security:

$$\$2,200 \times 50\% = \$1,100 \text{ per month basic LTDI benefit}$$

### Supplemental Contributions

A supplemental contribution is paid into the WRS retirement account for each month a participant receives LTDI benefits. The supplemental contributions are 7% of the FAS. The FAS and the supplemental contributions are adjusted each year by the Core Fund dividend percentage, same as the monthly retirement annuities.

To qualify for supplemental LTDI contributions, the following conditions must be met:

- LTDI benefits have not been terminated or suspended.
- No creditable service is earned during that month.
- Payment of the LTDI retirement supplemental benefit does not result in the total contributions to the WRS account exceeding any limitation on additional contributions or cause the WRS to fail to meet any of the requirements for a qualified plan under the Internal Revenue Code.
- The participant has not received either a separation or retirement benefit (annuity or lump sum).
- The participant is not approved to receive Duty Disability benefits under Wis. Stat. § 40.65.

### Sample Supplemental Contribution Calculation

Based on the prior example, the following supplemental contributions would be credited to the WRS account as additional contributions:

$$\$2,200 \text{ (FAS)} \times 7\% = \$154 \text{ per month; } \$154 \times 12 \text{ months} = \$1,848 \text{ per year}$$

## Annual Disability Processes

### Earnings Statement

Each March, the participant will be required to complete a Statement of Annual Earnings for Disability Benefits, whether or not there were earnings. Failure to complete and return the form by the due date or providing incorrect information could cause the benefit to be suspended or terminated.

Gross earnings means wages and/or salary received for providing a personal service, including service performed on a contractual basis or self-employment. Income received from Social Security or WRS benefits, interest, dividends, inheritance, sale of home, or winnings from the lottery, etc., are not considered earnings.

### Medical Recertification

The participant may be required to provide annual medical evidence that he or she continues to be disabled. When providing the medical evidence, the last treatment date must be within 12 months of the date the physician signs the Recertification Medical Report. Failure to provide this information by the required due date may cause the LTDI benefits to be suspended and eventually terminated.

## Termination or Suspension of Benefits

### No Longer Meet Disability Definition

If the physician indicates that the participant is able to perform the duties of any gainful occupation for which the annual compensation would exceed the earnings limitation, the LTDI benefit will be terminated.

### Exceeding the Disability Earning Limit

Participants are required to notify the third party administrator immediately if they exceed the earnings limit. The first time the participant reaches the earnings limit, the LTDI benefit will be suspended effective the first of the month in which the participant exceeded the annual earnings limit. If the participant's benefit is suspended, we will advise the participant when the benefit will resume. The second time the participant reaches the earnings limit, the LTDI benefit will be terminated.

### Returning to Work

If the participant returns to work for a WRS employer while receiving LTDI benefits, he or she will be covered as an active, participating employee under the WRS. The employer will report earnings and service to ETF and it will be credited to the account based on active employment. He or she is not eligible for the LTDI retirement supplemental contributions for any month in which he or she earns creditable WRS service.

**Special Provisions for Protective Occupation Employees:** The LTDI benefits of a protective occupation employee who was approved for LTDI benefits because that employee could no longer perform the duties of the protective position will be terminated immediately upon re-employment in a law enforcement or firefighter position.

If employed in a position other than law enforcement or firefighter, LTDI benefits will be suspended but not terminated if the participant earns more than the earnings limit.

### Death

LTDI benefits are payable only through the date of death. There are no LTDI death benefits. There may, however, be a death benefit payable from the WRS account. This will depend on employment status at the time of death. The death benefit for a person with an inactive status is based on the employee contribution balances. The minimum death benefit for an active status employee is two times the employee required contribution balances. If the participant had applied for or was receiving a monthly WRS benefit, whether there is a death benefit will depend on the annuity option selected. The LTDI supplemental contributions would be included in the calculation of any WRS death benefit. If the participant closed their WRS account by taking a lump sum benefit, there will be no WRS death benefit. If there were LTDI benefits due which were not issued before death, they will be paid to the estate.

## Retirement Benefit Offset

LTDI benefit recipients may also apply for WRS retirement benefits. The LTDI benefit will be offset (reduced) by his or her WRS retirement benefit.

The participant is not required to apply for WRS retirement benefits. If, however, the participant is not already receiving WRS retirement benefits when he or she reaches the later of age 62 or normal retirement age (see chart below), the monthly LTDI benefits will be reduced by the taxable amount of the highest retirement annuity the participant is eligible to receive and payment of the LTDI supplemental contributions into the WRS account will cease.

### Normal Retirement Age

General Employees and Teachers	65
Protective Occupation Employees with less than 25 years of service	54
Protective Occupation Employees with at least 25 years of service	53

If the taxable retirement benefit for which the participant is eligible exceeds the LTDI benefit amount, the participant will not receive any monthly LTDI payments.

When applying for a retirement benefit at normal retirement age, it is often beneficial for the participant to choose the retirement annuity effective date which is the first of the month after the normal retirement age is reached. This would maximize the supplemental contributions paid into the participant's retirement account.

In some cases, it is in the best interest of the participant to apply for retirement benefits early. Such situations include:

- The participant's retirement benefit will be greater than an amount he or she would receive under LTDI.
- The participant has a terminal illness, terminated employment, and wishes to leave a higher death benefit to his or her beneficiaries.

## Denial of Benefits

If the TPA denies the LTDI claim and the participant does not agree, he or she has the right to request an administrative review from ETF. The written request must be received by ETF within 90 days of the date of the initial denial notice.

If ETF upholds the initial denial, the participant has several options available. He or she may do one or more of the following:

1. If the participant is at least age 55 (age 50 if the participant has any protective occupation

service), he or she could apply for a regular retirement benefit. If the participant applies within 60 days of denial, this benefit would begin on the same date that the disability benefit would have begun. If the participant applies for a regular retirement annuity and it is approved, he or she may not apply for a disability annuity at a later time.

2. If the participant is younger than age 55 (age 50 if the participant has any protective occupation service), he or she could apply for a separation benefit. The participant receives only the employee required contributions plus accumulated interest. The participant forfeits the employer required contributions plus interest, as well as any future benefits from the retirement program based on service prior to the separation. The participant also forfeits the right to reapply for LTDI benefits unless he or she returns to WRS employment and meets all the requirements again.
3. The participant may reapply for LTDI benefits. He or she must meet the requirements listed under the section "Eligibility Requirements for Benefits."
4. The participant may also leave his or her contributions in the retirement system until a later date.
5. If the participant wishes to contest ETF's decision, a written request for an appeal to the appropriate board (Chapter ETF 11, Wis. Adm. Code) must be received by ETF within 90 days following the date of ETF's decision.

## Withdrawal of Claim

The participant may withdraw the LTDI claim by submitting a written request to the TPA up to the date of the first LTDI payment.

## Cancellation of Claim

ETF must receive the forms needed in order to make a determination on a claim (medical reports and the employer's certification) within 12 months after the LTDI claim date. If ETF does not receive these forms, the claim must, by law, be cancelled.

If the LTDI claim is cancelled, the participant's options are explained under the section "Denial of Benefits."

## Insurances

### Group Life Insurance Waiver of Premium

Participants insured under the Wisconsin Public Employers Group Life Insurance Program may be eligible to continue coverage without further premium payments. Premium payments are waived if the participant is totally and permanently disabled and the employer submits a request for a disability premium waiver form to ETF. The employer must submit the request within 36 months after the last day for which WRS earnings were paid. If the waiver is approved, the participant will be notified of the amount of coverage. The participant should, however, continue to pay premiums until notified otherwise. He or she should contact ETF within 30 days after termination of employment for special instructions for keeping life insurance coverage while the LTDI claim is pending.

### Group Health Insurance Coverage

If the participant is on a leave of absence and covered under the WRS Group Health Insurance program, he or she may continue to pay the monthly premiums through the employer while the

LTDI claim is being processed. If the participant does not pay the premiums, the coverage will lapse. He or she will then be offered a 30-day health insurance enrollment opportunity upon approval of the LTDI benefit.

Participants whose compensation plan or contract provides for unused sick leave conversion to pay group health insurance premiums have the option of using unused sick leave or converting it for credits to pay group health insurance premiums. Participants can only use their accumulated sick leave to pay for WRS health insurance premiums when they have severed the employee/employer relationship.

If approved for LTDI benefits, health insurance premiums cannot be deducted from the LTDI benefit. Premiums will be directly billed to the participant from the insurance carriers or paid from unused sick leave credits.

### Medicare Supplement Insurance

To keep WRS group health insurance, **the participant must enroll for both Medicare Parts A and B (Hospital & Medical) when first eligible.** Medicare is available before age 65 to a person who has received Social Security Disability for two years or has permanent kidney failure. This is required by state law to integrate with, not duplicate, Medicare benefits.

It is **the participant's responsibility** to notify us when the participant and other family members enroll in Medicare. We adjust group health insurance premiums to the appropriate Medicare supplement amount after we know the effective date(s) of Medicare coverage. The Medicare Eligibility Statement (ET-4307) is available from ETF. He or she should also send ETF a photocopy of the Medicare card.

### Income Continuation Insurance

If the participant is insured under the Income Continuation Insurance (ICI) program, he or she may be eligible for benefits.

This insurance plan is designed to coordinate or integrate with other benefits and income sources. LTDI benefits will reduce the amount of the monthly ICI benefit. **The participant will be required to repay duplicate benefits to the ICI program.**

If the participant is receiving ICI benefits and the LTDI application is withdrawn or cancelled, the ICI benefits will be reduced by the amount the participant was eligible to receive under the LTDI program.

## Social Security

If the participant qualifies for LTDI benefits, he or she may also be eligible for Social Security Disability Insurance (SSDI) benefits. The participant can contact the Social Security Administration at 1-800-772-1213 for a projection of his or her SSDI benefits, and to apply for the program.

## Taxability of Benefits

If the participant receives a LTDI benefit, he or she may qualify for the IRS "Disability Income Tax Credit."

LTDI benefits are fully taxable. The exception to this is if he or she qualified for the IRS disability income tax credit.

For more information on federal income taxes and the tax status of LTDI benefits, the participant should contact an IRS district office and request Publication 524, titled "Credit for the Elderly or the Disabled."

*Great effort has been made to ensure that the information in this circular is accurate. However, if there is any conflict between the information and the law, the law must be followed.*

*ETF does not discriminate on the basis of disability in the provision of programs, services or employment.*

*If you are speech, hearing or visually impaired and need assistance, call 1-877-533-5020 or (608) 266-3285 (local Madison). We will try to find another way to get the information to you in a usable form.*

Always include your name, Social Security Number,  
and date of birth on all Correspondence  
to this department or Aetna, Inc.

# Contact the Department of Employee Trust Funds

## Internet Site

[etf.wi.gov](http://etf.wi.gov)

Find Wisconsin Retirement System and related benefit program information, as well as several ways to contact ETF by e-mail. Look for the red envelope at [etf.wi.gov](http://etf.wi.gov) to sign up for free ETF E-mail Updates.

## Self-Service Lines

1-877-383-1888 (toll free)  
(608) 266-2323 (local Madison)

Request forms or brochures through the ETF self-service lines, available 24 hours a day, seven days a week. Annuitants may also call to change address information or tax withholding elections.

## Main Telephone Lines

1-877-533-5020 (toll free)  
(608) 266-3285 (local Madison)

Employees and employers can speak on the telephone with an ETF benefit specialist from 7 a.m. to 5 p.m. Monday through Friday (except holidays).

Wisconsin Relay Service (for hearing and speech impaired) 7-1-1 or  
1-800-947-3529 (English)  
1-800-833-7813 (Spanish)

## Telephone Message Center

1-800-991-5540 (toll free)  
(608) 264-6633 (local Madison)

Hear detailed messages covering a variety of WRS topics. Please note that these are all recorded messages. You can speak with an ETF benefit specialist by calling the local or toll-free main telephone line.

## Mailing Address

P. O. Box 7931  
Madison, WI 53707-7931

## Street Address

801 West Badger Road  
Madison, WI 53713

## Appointments

Schedule an appointment by calling:  
1-877-533-5020 (toll free)  
(608) 266-3285 (local Madison)

For appointments in your district, visit  
[http://etf.wi.gov/members/presentation\\_map.html](http://etf.wi.gov/members/presentation_map.html).



**Wisconsin Department  
of Employee Trust Funds**